

The Pandemic Drove a Great Leap Forward in Digital Retailing Adoption

New survey of auto dealerships reveals whether this has been a blessing, a curse -- or both

February 2021

Executive Summary

Digital path-to-purchase experiences, including remote contracting and delivery, were all adopted last Spring by a retail automotive industry in crisis. It is hard to underscore what a dramatic change in operations – and sentiment – for auto dealerships this was – and it had to happen rapidly in order for dealerships to survive. Today, nearly a year into the nation’s COVID-driven reality, have things remained the same? Have dealerships accelerated or pulled back on digital retailing (DR)? Were benefits gained - or losses realized - as a result? Has the pandemic changed auto dealership perceptions of digital retailing? And, has the pandemic-inspired evolution to DR and its impact on operations been a blessing or a curse?

A new survey fielded by eLEND Solutions among auto dealers in the fourth quarter of 2020, provides a window into how the pandemic has impacted digital retailing operations in dealerships across the US, how dealers now perceive DR (enhanced lead generation or digitally accelerated ‘deal’ generation?) – and whether or not they plan to take the great leap forward into a digital retailing new normal.

In a nutshell: the survey data offers promise for the future of digital retailing as the majority of dealerships say they are, indeed, poised to leap forward with DR. Why? The answer is as much for what it has NOT done - negatively impacted PVR, as for what it has done. And, it has all been achieved through a transition that dealers ranked as ‘not extremely difficult.’

So, this surely means that auto dealers’ core perception of what digital retailing is has changed?

Not so fast: Nearly half of dealers view digital retailing as simply enhanced lead generation, versus true deal generation -- and they continue to find implementing process change to be a significant roadblock. But, viewed another way, over half view DR as ‘deal’ generation, an important advance along the road to true digital retailing adoption – but one that still has an uphill climb until the right tools and processes are available and easily implemented.

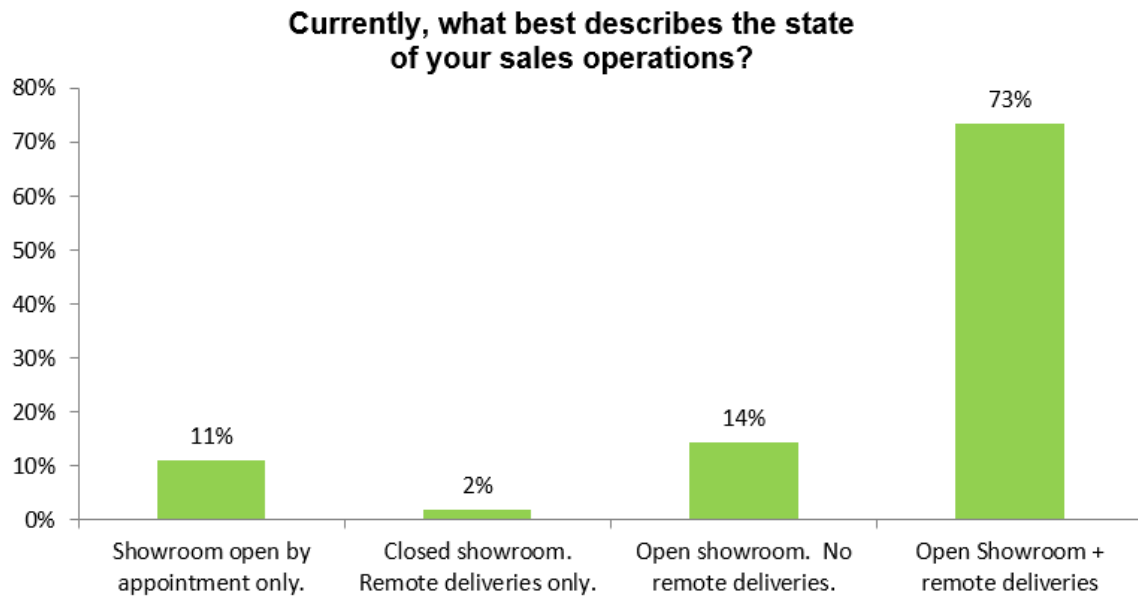
Methodology

Automotive dealers across the U.S. participated in this online survey which was fielded by eLEND Solutions in Q4 2020.

Survey Highlights

State of the Dealership – early pandemic days versus today

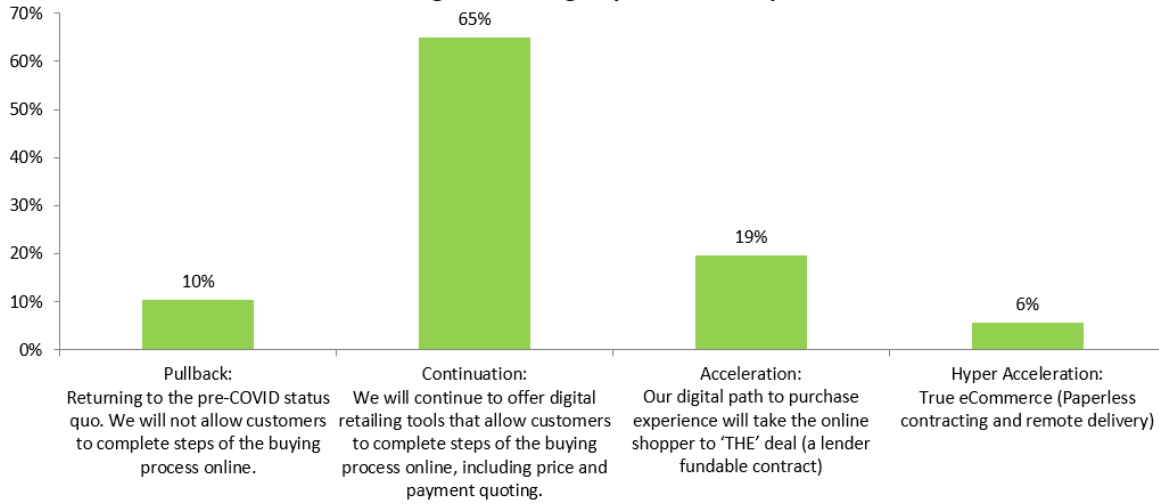
Dealers were asked what impact the pandemic – at its early height - had on their sales operations. Their responses paint a picture of the resilience of auto dealers and their ability to rapidly adapt when they have to. Only 15% reported that they completely shutdown, while nearly two-thirds were able to stay open through some combination of appointments and remote deliveries.



Nine months later, adaptation moved into longer term change: the vast majority of auto dealerships (73.33%) reported having both open showrooms AND remote deliveries. And that is not likely to change: as business moves to a new normal, a whopping 90% of auto dealerships say they expect to continue, or accelerate, digital retailing at their dealership. Only 10% will pull back.

90% of auto dealerships say they expect to continue, or accelerate, digital retailing at their dealership

As business moves to a new normal, what do you expect the impact will be on digital retailing at your dealership?



Digital Retailing: Is it Lead Generation or Deal Generation?

So, the pandemic has accelerated digital retailing, but what exactly does that mean to auto dealers? According to the survey, the way dealers view digital retailing today is split almost right down the middle:

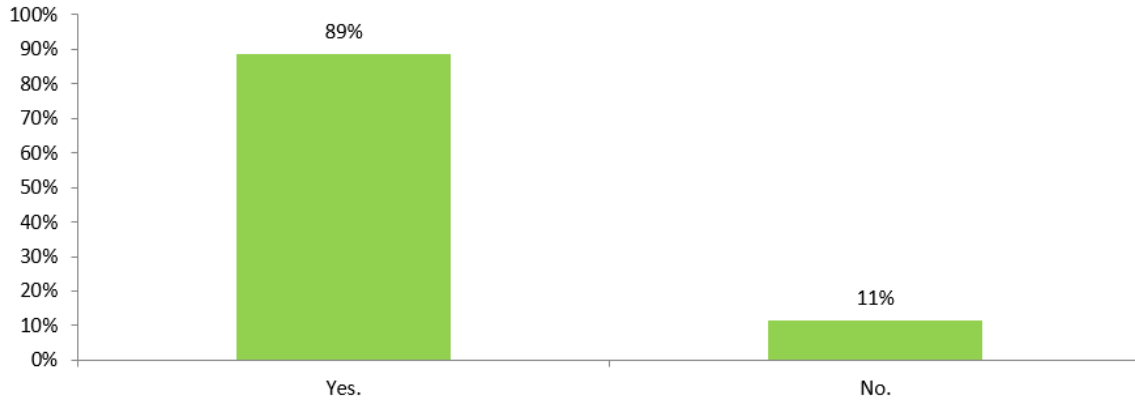
- 47% see DR as enhanced lead generation.
- 53% see DR as deal generation – ‘the start of the deal’ (trying to sell the car not schedule the appointment)

80% of auto dealers said that the pandemic has accelerated their adoption of digital path-to-purchase experiences at their dealerships

Old habits die hard in the auto industry and, in that context, these numbers can be viewed as extraordinary. It is no secret that the industry, traditionally, has been slow to evolve to and adopt emerging technologies. Without the driving force of the pandemic, getting to over 50% of auto dealerships viewing digital retailing as ‘deal’ versus ‘lead’ generation could have taken much longer.

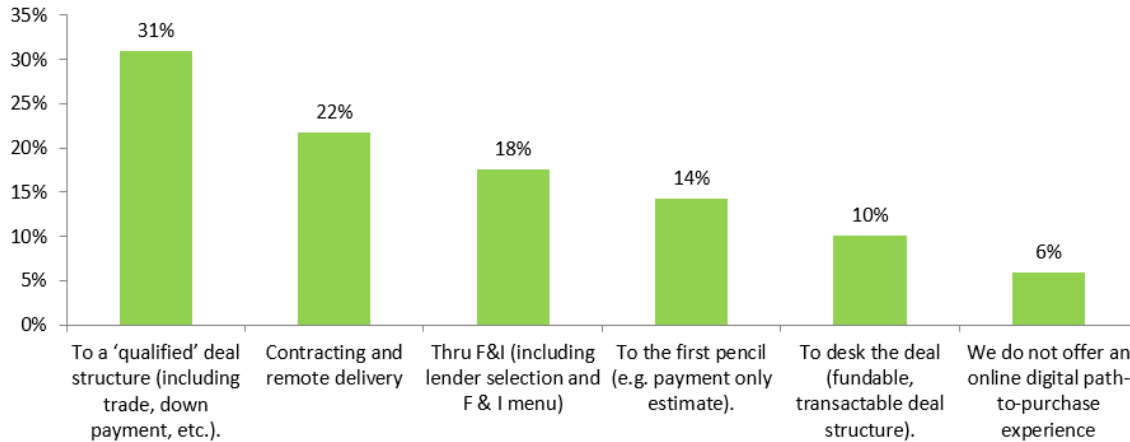
This progression is reinforced by the fact that 80% of auto dealers said that the pandemic has accelerated their adoption of digital path-to-purchase experiences at their dealerships.

Would you consider your dealerships' website to be more transactional (consumers can get closer to a transactable deal easier) today than it was pre-pandemic?



Furthermore, while the desired digital car buying experience 'end point' varies by dealer, it is noteworthy that only 14% see it as ending at the first pencil, with nearly one third viewing the DR 'relative finish' as getting to a qualified deal structure – including trade, down payment, etc. and one in five viewing it as contracting and remote delivery.

Digital retailing allows car shoppers to self-direct their car buying process online, from start to a 'relative finish' (i.e. whatever point the dealer wants.) What best describes the 'relative finish' at your dealership today?



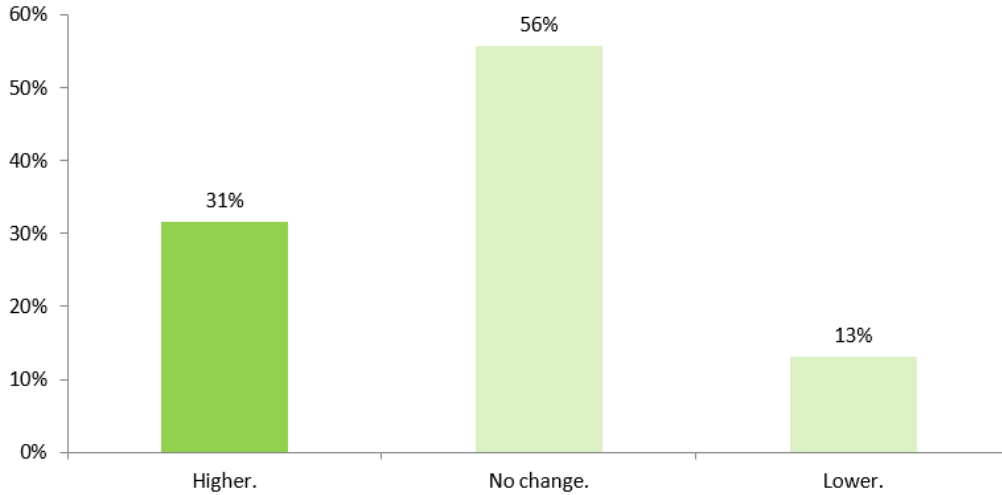
Accelerated Digital Retailing Impact – what does it mean for PVR?

One major impact of this leap forward into digital retailing is that nearly 90% of dealers say their websites are more transactional (consumers can get closer to a transactable deal easier) today than pre-pandemic. The data suggests that a silver lining of COVID has been the industry's rapid adoption of digital buying experiences that address the consumers preferences for a low-touch buying experience. It is entirely likely that the same level of adoption - without a pandemic – could have taken another 2-5 years.

Perhaps one of the most important revelations of the survey is that 87% of dealership respondents report that their DR-initiated transactions have resulted in PVR (profit per vehicle retailed) that is either

unchanged, or higher, with 31% saying that the PVR (front and back) of 'DR initiated' transactions, has been higher compared to pre-COVID averages. This myth-busting insight seems to challenge a common belief that digital retailing will have an adverse impact on PVR.

For your 'DR initiated' transactions, what has been the effect on total PVR (Front & Back) compared to pre-COVID averages?



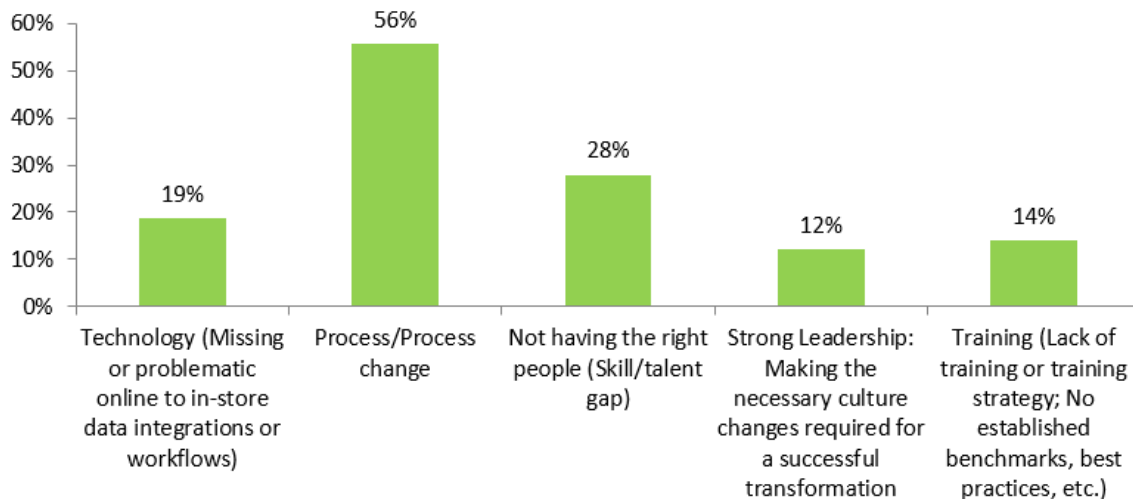
Challenges remain with CSI and process changes, but transaction times improve

Surprisingly, the improvements in CSI were not as high as one might have anticipated given the accelerated DR adoption: just under a quarter (23.1%) said CSI had improved, with 66% seeing no change. One reason could be that DR technologies, and required process changes, are not yet reducing redundancies and facilitating seamless online to instore transitions. Customers have high expectations that starting and completing parts of the deal online could save time at the dealership but, in many cases, they have still had to navigate through legacy processes.

That being said, 64% of dealerships reported reduced transaction times (Meet & Greet through Delivery) compared to the pre-COVID average, with 38% reporting they knocked at least 30 minutes off the transaction time. This is one of the holy grails of customer experience improvement.

When asked about transitioning to a digital-first sales process, dealers reported that the hardest part was not technology, not even training – but **'process change'** (56% of dealers), with 'having the right people' coming in second at 28%.

What was the hardest part of the transition to a digital-first sales process?



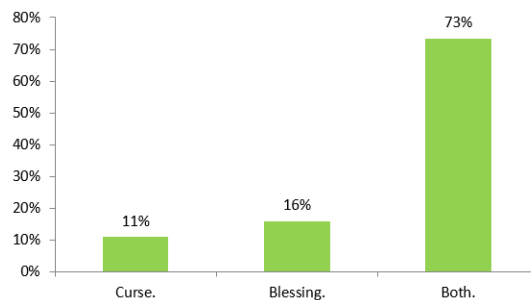
In the end, it is not about the challenge of technology, but the challenge of change. That being said, it should be noted, that the majority of dealers rated the overall transition as moderately easy.

Conclusion

Blessing or Curse?

Perhaps the most telling response in the survey was to the question: has the pandemic been a curse, or a blessing in disguise, that forced them to innovate how they sell cars. Nearly three quarters said 'both'. As the survey data shows, the pandemic has forced dealers to confront change, and change can be painful, but when left with no other choice, the vast majority rapidly pivoted to a more digital process, accelerating dramatic innovations that they agree will continue well into the future. And, given the positive impact on PVR, that is very likely to be a blessing.

Do you view the pandemic as a curse, or a blessing in disguise, that forced you to innovate how you sell cars?



ABOUT eLEND SOLUTIONS

eLEND Solutions™ (DealerCentric rebranded) is a FinTech SaaS and DaaS company focused on providing a simplified vehicle purchase process for the retail automotive industry. The benefit of their industry neutral credit and finance decisioning solutions is a more efficient, faster-moving Sales and F&I deal-flow that sells more cars at higher profits in less time – benefitting dealers, lenders and consumers.